

HOUSE BILL 1254  
By Walley

AN ACT to amend Tennessee Code Annotated, Title 56, Chapter 32, Sections 203(e), 215 and 218(a) to implement procedures to coordinate oversight responsibility for health maintenance organizations between the Tennessee Department of Commerce and Insurance and the Tennessee Department of Health.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 56-32-203(e), is amended by deleting the section in its entirety and by substituting instead the following:

(e) An applicant must demonstrate to the commissioner of health or the commissioner's designee proof of capability to provide basic health care services efficiently, effectively and economically. The commissioner of health shall report his or her findings to the commissioner of commerce and insurance, who may then deny the application for a certificate of authority, as provided in §§ 56-32-204 and 56-32-218(b).

SECTION 2. Tennessee Code Annotated, Section 56-32-215, is amended by deleting this section in its entirety and substituting the following language as a new section:

(a) The commissioner of commerce and insurance, in cooperation with the commissioner of health, shall coordinate the regulation of health maintenance organizations holding a certificate of authority to ensure the financial viability of such organizations and that such organizations are currently providing and shall in the future provide health care services efficiently, effectively and economically. The commissioner of commerce and insurance and the

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commissioner of health shall develop an inter-department agreement to coordinate the functions necessary for the proper administration of this section.

(b) The commissioner of commerce and insurance may make an examination of the affairs of any health maintenance organization and any providers with whom the health maintenance organization has contracts, agreements or other arrangements as often as is reasonably necessary for the protection of the interests of the people of this state. Such examinations of health maintenance organizations shall occur not less frequently than once every four (4) years. The commissioner of commerce and insurance may also contract, at reasonable fees for work performed, with qualified, impartial outside sources to perform audits or examinations, or portions thereof, pertaining to the qualification of an entity for issuance for a certificate of authority to operate as a health maintenance organization or to determine the continued compliance of any operating health maintenance organization. Any contracted assistance shall be under the direct supervision of the commissioner of commerce and insurance. The results of any contracted assistance shall be subject to the review of, and approval, disapproval, or modification by, the commissioner of commerce and insurance.

(c) The commissioner of health or the commissioner's designee may make an examination concerning a health maintenance organization's capability to provide health care services efficiently, effectively and economically and any providers with whom such organization has contracts, agreements, or other arrangements as often as is reasonably necessary for the protection of the interests of the people of this state. Such examinations of health maintenance organizations shall occur not less frequently than once every three (3) years. The commissioner of health shall report findings to the commissioner of commerce and insurance, who may then suspend or revoke a certificate of authority issued to the health maintenance organization as provided in § 56-32-216.

(d) Every health maintenance organization shall submit its books and records for such examinations and in every way facilitate the completion of the examination. For the purpose of

examinations, the commissioner of commerce and insurance and the commissioner of health may administer oaths to, and examine, officers and agents of the health maintenance organization.

(e) The expenses of examinations of health maintenance organizations under this section shall be assessed against the health maintenance organization being examined and remitted to the commissioner for whom the examination is being conducted.

(f) In lieu of such examinations, the commissioner of commerce and insurance or the commissioner of health may accept the report of an examination made by the commissioner of insurance or the commissioner of health of another state.

SECTION 3. Tennessee Code Annotated, Section 56-32-218(a) is amended by adding the following language after the words "the commissioner": of commerce and insurance and the commissioner of health.

SECTION 4. If any provision of this act, or application thereof, to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to that end the provisions of this act are declared to be severable.

SECTION 5. This act shall take effect upon becoming a law, the public welfare requiring it.